

104TH CONGRESS  
2D SESSION

# H. R. 2877

To amend the Internal Revenue Code of 1986 to allow a deduction for the payment of tuition for higher education and interest on student loans.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 1996

Mr. MCHALE introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for the payment of tuition for higher education and interest on student loans.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Higher Education Tax  
5       Relief Act of 1996”.

6       **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

7       (a) DEDUCTION ALLOWED.—Part VII of subchapter  
8       B of chapter 1 of the Internal Revenue Code of 1986 (re-  
9       lating to additional itemized deductions for individuals) is

1 amended by redesignating section 220 as section 221 and  
2 by inserting after section 219 the following new section:

3 **“SEC. 220. HIGHER EDUCATION TUITION AND FEES; INTER-**  
4 **EST ON STUDENT LOANS.**

5 “(a) ALLOWANCE OF DEDUCTION.—In the case of an  
6 individual, there shall be allowed as a deduction an  
7 amount equal to the sum of—

8 “(1) the qualified higher education expenses,  
9 plus

10 “(2) interest on qualified higher education  
11 loans,  
12 paid by the taxpayer during the taxable year.

13 “(b) QUALIFIED HIGHER EDUCATION EXPENSES.—  
14 For purposes of this section—

15 “(1) QUALIFIED HIGHER EDUCATION EX-  
16 PENSES.—

17 “(A) IN GENERAL.—The term ‘qualified  
18 higher education expenses’ means tuition and  
19 fees required for the enrollment or attendance  
20 of—

21 “(i) the taxpayer,

22 “(ii) the taxpayer’s spouse, or

23 “(iii) any dependent of the taxpayer  
24 with respect to whom the taxpayer is al-  
25 lowed a deduction under section 151,

1 as an eligible student at an institution of higher  
2 education.

3 “(B) EXCEPTION FOR EDUCATION INVOLV-  
4 ING SPORTS, ETC.—Such term does not include  
5 expenses with respect to any course or other  
6 education involving sports, games, or hobbies  
7 unless such expenses—

8 “(i) are part of a degree program, or

9 “(ii) are deductible under this chapter  
10 without regard to this section.

11 “(C) EXCEPTION FOR NONACADEMIC  
12 FEES.—Such term does not include any student  
13 activity fees, athletic fees, insurance expenses,  
14 or other expenses unrelated to a student’s aca-  
15 demic course of instruction.

16 “(D) ELIGIBLE STUDENT.—For purposes  
17 of subparagraph (A), the term ‘eligible student’  
18 means a student who meets the requirements of  
19 section 484(a)(1) of the Higher Education Act  
20 of 1965 (20 U.S.C. 1091(a)(1)).

21 “(2) DOLLAR LIMITATION.—

22 “(A) IN GENERAL.—The amount taken  
23 into account under paragraph (1) for any tax-  
24 able year shall not exceed \$10,000.

“(B) PHASE-IN.—In the case of taxable years beginning in 1996, 1997, 1998, and 1999, the following amounts shall be substituted for ‘\$10,000’ in subparagraph (A):

<b>“For taxable years beginning in:</b>	<b>The substitute amount is:</b>
1996 .....	\$2,000
1997 .....	4,000
1998 .....	6,000
1999 .....	8,000.

“(3) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds \$70,000 (\$100,000 in the case of a joint return), the amount which would (but for this paragraph) be taken into account under paragraph (1) shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be taken into account as such excess bears to \$20,000.

“(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1996, the \$70,000 and \$100,000 amounts contained in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment  
2 under section 1(f)(3) for the calendar year  
3 in which the taxable year begins, except  
4 that section 1(f)(3)(B) shall be applied by  
5 substituting ‘1995’ for ‘1992’.

6 “(C) ROUNDING.—If any amount as ad-  
7 justed under subparagraph (B) is not a mul-  
8 tiple of \$50, such amount shall be rounded to  
9 the nearest multiple of \$50 (or if such amount  
10 is a multiple of \$25, such amount shall be  
11 rounded to the next highest multiple of \$50).

12 “(D) MODIFIED ADJUSTED GROSS IN-  
13 COME.—The term ‘modified adjusted gross in-  
14 come’ means the adjusted gross income of the  
15 taxpayer for the taxable year determined—

16 “(i) without regard to this section and  
17 sections 911, 931, and 933, and

18 “(ii) after the application of sections  
19 86, 135, 219, and 469.

20 “(4) INSTITUTION OF HIGHER EDUCATION.—  
21 The term ‘institution of higher education’ means an  
22 institution which—

23 “(A) is described in section 481 of the  
24 Higher Education Act of 1965 (20 U.S.C.  
25 1088), and

1           “(B) is eligible to participate in programs  
2           under title IV of such Act.

3           “(c) QUALIFIED HIGHER EDUCATION LOAN.—For  
4 purposes of this section—

5           “(1) IN GENERAL.—The term ‘qualified higher  
6 education loan’ means a loan to a student which is—

7           “(A) made, insured, or guaranteed by the  
8 Federal Government,

9           “(B) made by a State or a political sub-  
10 division of a State,

11           “(C) made from the proceeds of a qualified  
12 student loan bond under section 144(b), or

13           “(D) made by an institution of higher edu-  
14 cation (as defined in section 1201(a) of the  
15 Higher Education Act of 1965 (20 U.S.C.  
16 1141(a))).

17           “(2) LIMITATION.—

18           “(A) IN GENERAL.—The amount of inter-  
19 est on a qualified higher education loan which  
20 is taken into account under subsection (a)(2)  
21 shall be reduced by the amount which bears the  
22 same ratio to such amount of interest as—

23           “(i) the proceeds from such loan used  
24 for qualified higher education expenses,  
25 bears to

1 “(ii) the total proceeds from such  
2 loan.

3 “(B) QUALIFIED HIGHER EDUCATION EX-  
4 PENSES.—For purposes of subparagraph (A),  
5 the term ‘qualified higher education expenses’  
6 has the meaning given such term by subsection  
7 (b), except that—

8 “(i) such term shall include reason-  
9 able living expenses while away from home,  
10 and

11 “(ii) the limitations of paragraphs (2)  
12 and (3) of subsection (b) shall not apply.

13 “(d) COORDINATION WITH OTHER PROVISIONS.—

14 “(1) NO DOUBLE BENEFIT.—

15 “(A) IN GENERAL.—No deduction shall be  
16 allowed under subsection (a) for qualified high-  
17 er education expenses or interest on qualified  
18 higher education loans with respect to which a  
19 deduction is allowed under any other provision  
20 of this chapter.

21 “(B) SAVINGS BOND EXCLUSION.—A de-  
22 duction shall be allowed under subsection (a)(1)  
23 for qualified higher education expenses only to  
24 the extent the amount of such expenses exceeds

1           the amount excludable under section 135 for  
2           the taxable year.

3           “(2) QUALIFIED RESIDENCE INTEREST.—If a  
4           deduction is allowed under subsection (a)(2) for in-  
5           terest which is also qualified residence interest under  
6           section 163(h), such interest shall not be taken into  
7           account under section 163(h).

8           “(e) SPECIAL RULES.—

9           “(1) ELECTION.—If a deduction is allowable  
10          under more than one provision of this chapter with  
11          respect to qualified higher education expenses, the  
12          taxpayer may elect the provision under which the de-  
13          duction is allowed.

14          “(2) LIMITATION ON TAXABLE YEAR OF DE-  
15          DUCTION.—

16                 “(A) IN GENERAL.—A deduction shall be  
17                 allowed under subsection (a)(1) for any taxable  
18                 year only to the extent the qualified higher edu-  
19                 cation expenses are in connection with attend-  
20                 ance at an institution of higher education dur-  
21                 ing the taxable year.

22                 “(B) CERTAIN PREPAYMENTS ALLOWED.—  
23                 Subparagraph (A) shall not apply to qualified  
24                 higher education expenses paid during a taxable  
25                 year which are in connection with attendance at

1 an institution of higher education which begins  
2 during the first 2 months of the following tax-  
3 able year.

4 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-  
5 SHIPS AND VETERANS BENEFITS.—The amount of  
6 qualified higher education expenses otherwise taken  
7 into account under subsection (a)(1) with respect to  
8 the education of an individual shall be reduced (be-  
9 fore the application of subsection (b)) by the sum of  
10 the amounts received with respect to such individual  
11 for the taxable year as—

12 “(A) a qualified scholarship which under  
13 section 117 is not includable in gross income,

14 “(B) an educational assistance allowance  
15 under chapter 30, 31, 32, 34, or 35 of title 38,  
16 United States Code, or

17 “(C) a payment (other than a gift, be-  
18 quest, devise, or inheritance within the meaning  
19 of section 102(a)) for educational expenses, or  
20 attributable to attendance at an eligible edu-  
21 cational institution, which is exempt from in-  
22 come taxation by any law of the United States.

23 “(4) NO DEDUCTION FOR MARRIED INDIVID-  
24 UALS FILING SEPARATE RETURNS.—If the taxpayer  
25 is a married individual (within the meaning of sec-

1       tion 7703), this section shall apply only if the tax-  
 2       payer and his spouse file a joint return for the tax-  
 3       able year.

4               “(5) REGULATIONS.—The Secretary may pre-  
 5       scribe such regulations as may be necessary or ap-  
 6       propriate to carry out this section, including regula-  
 7       tions requiring recordkeeping and information re-  
 8       porting.”

9       (b) DEDUCTION ALLOWED IN COMPUTING AD-  
 10       JUSTED GROSS INCOME.—Section 62(a) of such Code is  
 11       amended by inserting after paragraph (15) the following  
 12       new paragraph:

13               “(16) HIGHER EDUCATION TUITION AND  
 14       FEES.—The deduction allowed by section 219.”

15       (c) CONFORMING AMENDMENT.—The table of sec-  
 16       tions for part VII of subchapter B of chapter 1 of such  
 17       Code is amended by striking the item relating to section  
 18       220 and inserting:

“Sec. 220. Higher education tuition and fees.  
 “Sec. 221. Cross reference.”

19       (d) EFFECTIVE DATES.—The amendments made by  
 20       this section shall apply to taxable years beginning after  
 21       December 31, 1995.

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